

**Internal Revenue Service**  
P.O. Box 2508  
Cincinnati, OH 45201

**Department of the Treasury**

**Date: 10/14/2014**

**Employer Identification Number:**

**Number: 201502019**  
**Release Date: 1/9/2015**

**Contact person - ID number:**

**Contact telephone number:**

**LEGEND**

**UIL: 4945.04-04**

W= Location  
x= Quantity  
y dollars = Amount  
z= Quantity

Dear :

You asked for advance approval of your scholarship grant procedures under Internal Revenue Code section 4945(g). This approval is required because you are a private foundation that is exempt from federal income tax. You requested approval of your scholarship program to fund the education of certain qualifying students.

**Our determination**

We approved your procedures for awarding scholarships. Based on the information you submitted, and assuming you will conduct your program as proposed, we determined that your procedures for awarding scholarships meet the requirements of Code section 4945(g)(1). As a result, expenditures you make under these procedures will not be taxable.

Also, awards made under these procedures are scholarship or fellowship grants and are not taxable to the recipients if they use them for qualified tuition and related expenses (subject to the limitations in Code section 117(c)).

**Description of your request**

Your letter indicates you are operating a scholarship program to students in W to further your purpose of enhancing access to higher education. Scholarships are granted for high school, trade school, college, university or graduate school assistance. The number of students eligible to apply is generally in the range of z individuals.

You are required to annually distribute the greater of the net income of the trust or the amount that must be distributed to satisfy Code Section 4942 so the number of scholarships distributed will vary depending on the amount of funds available to be distributed. It's estimated that you will award x scholarships in the range y dollars. Scholarships are not renewable and are made on a one-time basis. In addition, all scholarships are awarded on an objective and non-discriminatory basis and no scholarship may be awarded to any disqualified person as defined in Code Section 4946.

To promote your scholarship program, you will annually notify school counselors in W of the scholarships available; these counselors also will provide students with scholarship information, which is also available on several of the schools websites.

In order to apply, an applicant must submit:

- The scholarship application requiring detailed biographical information;
- A financial statement detailing assets and liabilities of both the parents and the applicant as well as a copy of both the parent's and the applicant's individual federal income tax return;
- A current grade transcript;
- A resume;
- A written letter of application containing the following information: a statement the applicant is applying for the scholarship, what use the applicant will make of the scholarship, what the applicant's long range goals are; why the scholarship is needed, why the applicant feels worthy of the scholarship; how past records have shown promise of the applicant being able to carry out future plans and anything else the scholarship committee should know.

The selection committee also known as the scholarship advisory committee is made up of the acting superintendents of each of the public high schools located in W as outlined in your trust agreement. Furthermore, your trust agreement states that the committee's decisions are absolutely final provided the committee abides by the following general instructions:

- Each applicant must be a boy or girl and resident of W;
- Scholarships are granted for high school, college, trade school, university or graduate school assistance;
- Scholarship payments may be made to defray such expenses as tuition, books, and other educational expenses;
- While the committee may give consideration to whatever factors it deems appropriate, substantial consideration should be given to the financial need of the applicant.

The scholarship committee reviews the scholarship applications and ranks the applicants based on grade-point-average, financial need and their resume. Financial need is determined through the financial statement of all assets and liabilities from the student

and parent(s) of the student. Financial need is then confirmed if the financial statement proves the family does not have sufficient resources available for school.

Each year your trustee advises the committee of the amount of funds available for scholarships. After the committee members review and rank the applications, the committee then submits the recipient information to your trustee for distribution as well as advises you regarding the amount that should be awarded to each recipient.

You will pay the scholarship proceeds directly to the school that the recipient will attend for the benefit of the recipient. You will also provide a letter to each school specifying the school's acceptance of the funds which constitutes the school's agreement to refund any unused portion of the scholarship if a scholarship recipient fails to meet any term or condition of the scholarship. In addition, the school is to notify you if the scholarship recipient fails to meet any term or condition of the scholarship.

If the school will not agree to such terms, the school is to return the check and you will obtain proof of enrollment and a grade transcript from the student. You will do this by sending a grant letter to the recipient to sign in order to acknowledge individual expenditure responsibility before any check is mailed to the student. If the student does not sign the agreement and provide proof of enrollment, the scholarship will not be awarded.

You maintain all records relating to individual grants, including information obtained to evaluate grantees, identify whether a grantee is a disqualified person, establish the amount and purpose of each grant, and establish that you undertook the supervision and investigation of grants awarded.

### **Basis for our determination**

The law imposes certain excise taxes on the taxable expenditures of private foundations (Code section 4945). A taxable expenditure is any amount a private foundation pays as a grant to an individual for travel, study, or other similar purposes. However, a grant that meets all of the following requirements of Code section 4945(g) is not a taxable expenditure.

- The foundation awards the grant on an objective and nondiscriminatory basis.
- The IRS approves in advance the procedure for awarding the grant.
- The grant is a scholarship or fellowship subject to the provisions of Code section 117(a).
- The grant is to be used for study at an educational organization described in Code section 170(b) (1) (A) (ii).

**Other conditions that apply to this determination**

- This determination only covers the grant program described above. This approval will apply to succeeding grant programs only if their standards and procedures don't differ significantly from those described in your original request.
- This determination applies only to you. It may not be cited as a precedent.
- You cannot rely on the conclusions in this letter if the facts you provided have changed substantially. You may report any significant changes to your program by completing Form 8940 and sending it to the Cincinnati Office of Exempt Organizations at:

Internal Revenue Service  
Exempt Organizations Determinations  
P.O. Box 2508  
Cincinnati, OH 45201

- You cannot award grants to your creators, officers, directors, trustees, foundation managers, or members of selection committees or their relatives.
- All funds distributed to individuals must be made on a charitable basis and further the purposes of your organization. You cannot award grants for a purpose that is inconsistent with Code section 170(c) (2) (B).
- You should keep adequate records and case histories so that you can substantiate your grant distributions with the IRS if necessary.

Please keep a copy of this letter in your records.

If you have questions, please contact the person listed at the top of this letter.

Sincerely,

Director, Exempt Organizations